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How to Survive The Coming Labor Shortage

The three keys to future economic growth are increases in capital, a growing labor force, and rising productivity. One of those key ingredients, a growing labor force, is threatening to become a serious problem in Alabama.

The problem stems from a basic demographic fact--a declining fertility rate. In the 1950s Alabama's population was growing rapidly, resulting in a growing labor pool. However, from the early 1960s through the 1980s, the fertility rate has steadily declined. The state's fertility rate in the 1980s was about 1.7 births per female of child-bearing age, compared to 3.6 in 1960. This decline in the fertility rate can be explained by a rise in the number of women in the labor force, increases in the availability of contraceptive devices, a rising divorce rate, and an increase in the number of abortion opportunities.

Obviously, children born in the 1970s and 1980s will constitute the labor pool for the 1990s and the early part of the next century. As shown in the accompanying chart, the growth rate of the labor force in Alabama is expected to decline throughout the next two decades. Indeed, evidence that the shortage may already be here can be found in a recent Department of Labor report which notes that the number of 16 to 24 year olds nationwide who entered the labor market in July of this year is off by some 933,000 individuals from the previous year.

What are the implications of the labor force shortages? The first implication is that wages are more likely to continue to rise as a result of the shortages. While these wage pressures can be somewhat offset by greater productivity, it is still likely that real wages will rise unless workers from tradional sources are augmented by an influx of workers from nontraditional sources.

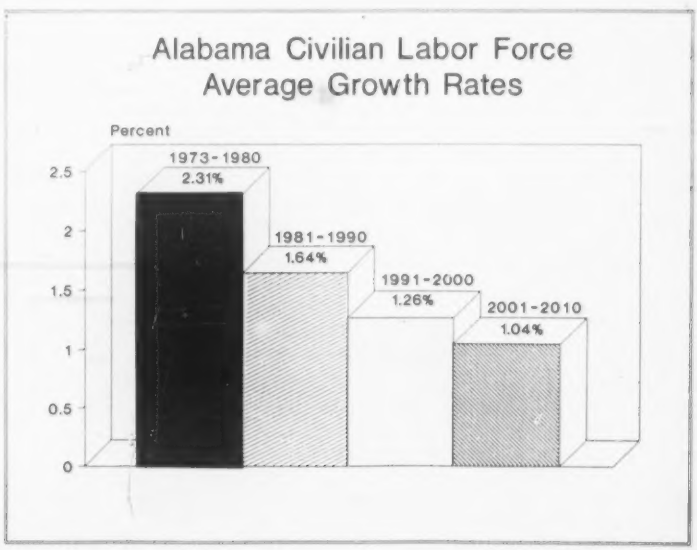
A second, and perhaps equally obvious, implication of the labor shortage is the increased importance of recruiting, training, retraining, and retaining workers. At the national level, it is estimated that only one third of new entrants to the labor pool in the 1990s will come from the traditional source, white males. Increasing numbers of women, immigrants, minorities, and recycled (returning retirees) workers will be needed to fill this void. Recruiting these workers successfully will require innovative ways of managing human resources.

It is likely that the focus of human resource management in the 1990s will be fundamentally driven by this labor shortage. Businesses will need to develop flexible schedules to accommodate families with children. Minorities may need remedial training in basic skills. Immigrants will require special educational opportunities. And an increasing number of retirees with essential skills will be willing to return to the labor force, but at hours that are convenient to them, not the employer.

While recruiting a diverse work force is the key to surviving a labor shortage, managing this diversity may create additional stress among an organization's existing employees. Unless the level of understanding among individuals with different employment needs increases, high turnover rates are likely to result.

Recruiting and managing this diverse work force will require creative skills in the coming years.

William D. Gunther



	TAXABLE RETAIL SALES (In thousands of current dollars)				LABOR FORCE		
	Feb 1990[r]	Jan 1990[r]	Feb 1989	Percent Change Feb 90-Feb 89	Civilian Labor Force Apr 1990	Unemployment Rate Apr 90	Mar 90
Alabama, State of	1,698,732	1,769,500	1,668,404	1.8	1,905,400	6.3	6.9
MSAs							
Anniston	42,849	44,745	43,212	-0.8	51,540	6.8	7.7
Birmingham	424,591	446,259	430,453	-1.4	442,810	5.1	5.6
Decatur	47,791	49,844	46,029	3.8	60,730	6.7	6.9
Dothan	58,385	61,864	59,105	-1.2	59,790	5.4	5.4
Florence	64,312	65,237	58,377	10.2	61,670	6.2	6.4
Gadsden	37,482	37,530	37,218	0.7	42,680	9.7	10.7
Huntsville	114,680	119,426	110,312	4.0	133,970	4.5	4.6
Mobile	188,357	199,367	183,567	2.6	210,630	6.8	6.7
Montgomery	141,325	147,444	142,987	-1.2	139,720	5.9	5.8
Tuscaloosa	60,154	62,592	59,726	0.7	73,170	4.3	4.1
Counties							
Autauga	12,178	12,411	12,250	-0.6	16,390	6.7	6.0
Baldwin	36,127	37,899	33,968	6.4	40,140	5.3	6.3
Barbour	6,532	7,129	6,556	-0.4	12,350	7.3	7.2
Bibb	3,299	3,349	3,306	-0.2	7,160	5.6	5.7
Blount	8,735	8,973	8,258	5.8	17,090	6.5	13.6
Bullock	1,633	1,656	1,684	-3.0	4,190	10.3	9.8
Butler	4,129	4,398	4,321	-4.4	8,260	12.6	13.3
Calhoun	42,849	44,745	43,212	-0.8	51,540	6.8	7.7
Chambers	10,119	10,844	9,882	2.4	16,410	5.4	7.4
Cherokee	5,291	5,564	4,897	8.0	8,560	7.0	16.2
Chilton	9,808	9,412	8,845	10.9	15,170	8.3	7.7
Choctaw	2,603	2,737	2,772	-6.1	6,960	14.1	14.9
Clarke	6,969	7,850	7,589	-8.2	11,220	7.3	7.2
Clay	2,765	2,857	2,769	-0.1	6,600	5.6	11.6
Cleburne	2,375	2,405	2,203	7.8	5,570	7.8	8.9
Coffee	13,320	14,071	15,802	-15.7	18,330	7.7	9.4
Colbert	27,693	28,358	25,916	6.9	24,100	7.1	7.8
Conecuh	2,363	2,602	2,499	-5.4	5,540	7.0	8.6
Coosa	927	1,016	1,051	-11.8	5,050	5.3	6.1
Covington	13,064	13,701	12,671	3.1	16,830	6.3	12.5
Crenshaw	3,751	3,590	3,553	5.6	6,660	6.9	7.7
Cullman	23,618	22,575	21,578	9.5	32,650	6.1	7.5
Dale	11,817	11,748	10,656	10.9	18,660	7.7	8.6
Dallas	13,811	13,691	14,792	-6.6	19,740	10.2	11.0
De Kalb	16,109	16,711	14,937	7.8	30,020	6.5	8.4
Elmore	12,212	12,809	11,100	10.0	22,330	5.6	7.2
Escambia	9,233	9,266	9,258	-0.3	15,440	8.3	8.1
Etowah	37,482	37,530	37,218	0.7	42,680	9.7	10.7
Fayette	4,527	4,931	4,431	2.2	7,870	10.6	12.6
Franklin	7,559	7,743	7,328	4.5	14,320	7.4	15.7
Geneva	4,173	4,349	4,484	-6.9	11,400	5.1	5.3
Greene	1,755	1,904	1,727	1.6	3,600	10.1	9.9
Hale	2,495	2,647	2,505	-0.4	6,090	7.4	7.2
Henry	2,976	2,788	3,557	-16.3	7,220	5.5	5.2
Houston	46,568	50,116	48,449	-3.9	41,130	4.4	3.9
Jackson	13,054	12,596	12,455	4.8	20,950	8.9	9.8
Jefferson	345,243	359,573	350,124	-1.4	332,100	5.0	4.9
Lamar	2,766	2,731	2,783	-0.6	8,180	6.4	7.1
Lauderdale	36,619	36,879	32,461	12.8	37,580	5.6	5.5
Lawrence	5,172	5,188	4,970	4.1	12,660	8.5	9.3
Lee	29,702	35,183	30,900	-3.9	41,940	4.5	8.2
Limestone	15,698	16,135	14,881	5.5	30,680	5.7	6.2
Lowndes	1,760	1,598	1,778	-1.0	5,670	13.8	12.2
Macon	5,235	5,489	4,845	8.0	10,100	6.9	7.3
Madison	114,680	119,426	110,312	4.0	133,970	4.5	4.6
Marengo	6,828	7,004	6,930	-1.5	9,730	7.4	6.5
Marion	11,055	11,104	8,174	35.2	14,940	11.2	12.5
Marshall	32,367	33,755	31,386	3.1	38,180	6.3	9.7
Mobile	152,230	161,468	149,599	1.8	170,500	7.2	6.7
Monroe	7,666	7,148	7,316	4.8	10,660	8.8	9.2
Montgomery	116,935	122,224	119,637	-2.3	101,010	5.8	5.5
Morgan	42,619	44,656	41,059	3.8	48,080	6.2	6.3
Perry	1,857	1,869	1,945	-4.5	5,450	6.3	8.0
Pickens	3,936	3,894	3,692	6.6	7,130	8.5	9.4
Pike	9,238	10,050	10,421	-11.4	12,950	5.1	5.8
Randolph	5,340	5,435	5,212	2.5	8,910	6.7	7.3
Russell	14,246	13,509	11,380	25.2	22,350	6.7	6.5
St. Clair	10,846	10,903	11,448	-5.3	21,990	5.4	5.5
Shelby	32,708	33,721	32,979	-0.8	43,050	3.4	3.4
Sumter	2,861	3,209	2,763	3.5	5,980	7.6	7.5
Talladega	26,503	26,474	26,369	0.5	31,880	8.6	10.2
Tallapoosa	9,837	10,014	9,399	4.7	18,540	5.0	6.9
Tuscaloosa	60,154	62,592	59,726	0.7	73,170	4.3	4.1
Walker	27,059	33,089	27,644	-2.1	28,590	8.3	11.8
Washington	1,971	1,797	1,860	6.0	6,600	10.5	10.3
Wilcox	1,897	1,955	1,987	-4.5	4,070	12.5	11.8
Winston	7,482	7,115	6,121	22.2	10,620	9.2	11.3

SELECTED ECONOMIC INDICATORS

	Apr 1990	Mar 1990	Apr 1989	Percent Change Apr 90-Apr 89	Annual 1988	Annual 1989
Prices						
Consumer Price Index, U.S. All Items (1982-84 = 100)	128.9	128.7	123.1	4.7	118.3	124.0
Producer Price Index, U.S. All commodities (1982 = 100)	114.0	114.2	112.3	1.5	106.9	112.2
Consumer Purchasing Power of the Dollar	0.78	0.78	0.81	-4.5	0.85	0.81
Alabama Employment						
Total Employment (1,000)	1,786.3	1,764.5	1,765.0	1.2	1,738.0	1,773.0
Nonagricultural	1,601.2	1,585.2	1,589.9	0.7	1,558.7	1,588.3
Manufacturing	382.4	371.5	384.4	-0.5	380.6	383.8
Durable goods	187.3	185.2	187.7	-0.2	184.0	187.5
Nondurable goods	195.1	186.3	196.7	-0.8	196.6	196.3
Nonmanufacturing	1,218.8	1,213.7	1,205.5	1.1	1,178.1	1,204.5
Mining and quarrying	11.8	11.8	11.6	1.7	11.2	11.3
Contract construction	77.1	76.7	76.4	0.9	78.0	75.9
Trans, comm., and utilities	79.8	80.0	80.3	-0.6	79.5	80.1
Wholesale trade	84.4	84.4	84.1	0.4	80.9	84.2
Retail trade	262.4	260.8	262.6	-0.1	258.8	264.9
Finance, insurance, real estate	71.3	70.9	70.8	0.7	70.3	70.9
Services and miscellaneous	307.6	306.6	302.9	1.6	289.8	302.4
Federal government	66.6	66.2	64.2	3.7	66.0	64.9
State and local government	257.8	256.3	252.6	2.1	243.5	249.8
Other Alabama Indicators						
Bituminous coal production (1,000 net tons)	2,313	2,542	2,426	-4.7	26,055	26,574
Natural gas production (mil cu ft)	15,477	15,619	15,407	0.5	176,008	181,285
Crude oil and condensate production (1,000 barrels)	1,558	1,615	1,700	-8.4	20,597	19,622
Cotton consumption (1,000 lbs)	46,851	53,196	41,760	12.2	482,002	546,490
Pulp, paper, and paperboard production (1,000 net tons)	572	570	613	-6.7	6,977	7,027
Shipments by water, Port of Mobile (1,000 tons)	3,068	2,997	2,736	12.1	32,684	36,575
New passenger car registrations*	9,828	9,716	10,212	-3.8	133,614	116,117

	Feb 1990	Jan 1990	Feb 1989	Percent Change Feb 90-Feb 89	Annual 1988	Annual 1989
Alabama Taxable Retail Sales ($1,000,000)						
Food	298	326	331	-9.8	4,128	4,210
General merchandise	217	206	197	10.1	3,047	3,097
Apparel	59	54	53	10.2	933	931
Furniture, furnishings, etc.	73	77	70	4.3	1,035	1,026
Automotive	312	332	305	2.0	4,233	4,223
Gasoline service stations	22	23	22	1.8	294	308
Lumber and building materials	126	124	104	21.4	1,713	1,642
Hardware and farm implements	16	16	15	3.7	234	235
Eating and drinking places	156	156	147	6.2	1,915	2,029
Drug stores	29	31	34	-14.4	418	410
Miscellaneous retail	127	138	125	1.7	1,641	1,685
Nonretail & unclassified	264	286	265	-0.5	3,414	3,732
Total, all sales at retail	1,699	1,770	1,668	1.8	23,006	23,527

Notes and Sources: Civilian labor force, unemployment, and total employment are adjusted by place of residence, and total nonagricultural employment and its components are by place of work. All monthly data are adjusted to a March benchmark of the previous year. Shipments by water include both inbound and outbound shipments moving through private facilities as well as through the Alabama State Docks; excludes tonnage for military installations. Retail sales data represent sales at retail which are subject to sales tax as reported to the Alabama Department of Revenue under the definition of the Alabama Sales Tax Law. Total sales figures include taxable sales at retail by wholesalers and other nonretail firms as well as retail concerns. Sales at retail thus defined should not be confused with all sales (including nonretail sales) by retail concerns as reported in the Census of Retail Trade. Monthly sales figures are preliminary and subject to revision on a continuing basis. Sales figures for the two latest months are normally low because of late reporters. MSA and county level sales are estimated for multi-county firms using the 1985 disaggregation survey conducted by the Alabama Department of Revenue. Data estimates, thus, may not reflect current disaggregations for these firms. *Data on new passenger car registrations may not be reused in any manner without the express permission of R.L. Polk and Company.

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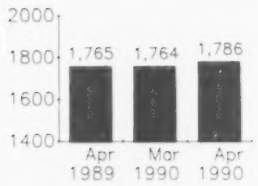
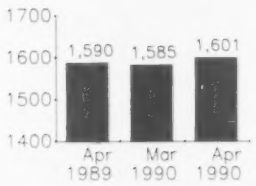
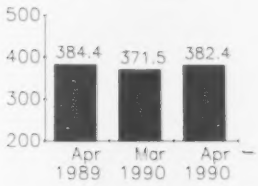
TOTAL EMPLOYMENT
(Thousands)



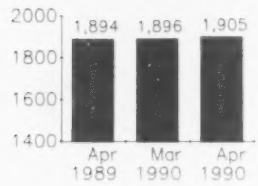
NONAGRICULTURAL EMPLOYMENT
(Thousands)



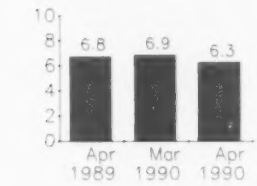
MANUFACTURING EMPLOYMENT
(Thousands)



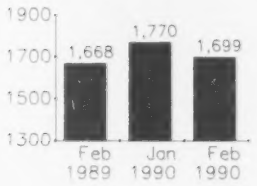
CIVILIAN LABOR FORCE
(Thousands)



UNEMPLOYMENT RATE
(Percent)



TOTAL RETAIL SALES
($ Millions)



Retail Trade Notice

Corrected values for January and February 1990 taxable retail sales are reported in this issue, replacing the amounts previously listed. No further corrections are anticipated.

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